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THE AMOUNT, DIRECTION AND NATURE OF FRENCH INVESTMENTS¹

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It has been the fashion, in official speeches, in parliamentary reports and debates, to state that "France is the great banker of the world, that she is creditor everywhere and nowhere debtor"; and at the same time to say: "There is no capital left in France for French undertakings." M. Briand, President of the Council (Prime Minister), speaking in 1909, stated: "French gold streams over the entire world. If we may be allowed to express anxiety or regret, it is because none remains in the country itself." M. Raymond Poincaré, then Minister of Finance, now President of the Republic, said: "France is an indefatigable creator of wealth. She works, she produces, she economizes, and that is why her market is always the biggest reservoir of capital in the world." And he added: "Perhaps it might be better that the largest portion of this wealth be employed in commercial and industrial undertakings."

For the authority of these important personages I regret to state that before uttering such words they should have studied the facts. It is not exact that France is "the greatest reservoir of capital," or "the greatest banker of the world." A glance at the London market suffices to set aside such an assertion. The flotations of securities on the London market are far more important than those of the Paris market. British investments in the colonies and abroad are, according to Sir George Paish, estimated at 100 billion francs; those of France at 40 billions. The London Bank deposits were three or four times as great as those of Paris. Finally we have, as international currency, the *draft on London* whose prestige is due

¹ Principal references. *Annuaire des valeurs cotées à la Bourse de Paris*, publié par la Chambre Syndicale des agents de change. (N'a pas paru depuis la guerre.) *La Statistique internationale des valeurs mobilières. X^e rapport présenté au nom du comité des finances de l'Institut international de statistique*, par Alfred Neymarck, à la session de Vienne, 1913. (Publié en 1916).—*Le Marché Financier* par Arthur Raffalovich, 23d année 1913-1914 (publié en 1915) et années précédentes.

to free trade, to the liberty of the London market and to the gold standard which has been established there since 1816.

According to the *Census of Production of 1907*, drafted for the United Kingdom by Mr. W. Flux, and published in 1911, the available capital at the close of the year amounted that year to 340 to 400 millions of pounds, or about 8 and a half billions of francs. In France, the yearly scope of savings was estimated at about 3 billion francs.

How were these available funds distributed? MM. Briand and Poincaré were acting as the spokesmen of the financial protectionists when they denounced the investment of capital out of France. A publicist named M. Letaillleur, writing under the name "Lysis," directed a violent campaign against the large discounting houses which he denounced for "draining French capital away to foreign countries, and depriving trade and industry at home thereof." A professor of political economy at the University of Nancy, Mr. Brocard, repeated: "By acting in this manner, we behave like a manufacturer who, having available capital, allows his competitors to make use of it, and lets his own business run to seed, for lack of funds."²

In such words as we have quoted above, we notice two mistakes. The first is brought about by a fault, too common among Frenchmen, and which foreigners are well acquainted with: French vanity. "The foremost banker of the world," "the great reservoir of capital!" The phrase was flattering to the audience. Political speakers repeated it, therefore, without troubling to first ascertain its degree of veracity. And among the audience, many who had never seen millions except in the columns of newspapers, proudly reflected:

Ah! yes, we are the richest nation of the earth; and if I, personally, am not rich, it is because there are persons who turn these riches off towards foreign countries, whereas a part of them should belong to me. The big financiers grow wealthy at my expense! Proper laws must be made to prevent such a state of things, and to give me back my share of those millions!

Ministers and deputies promised to see to it; and in truth, they have adopted some measures of the kind, which I will mention later on.

² Conference at the Écoles des Sciences Politiques, 1912.

Then the assertion that French savings were all turned off towards foreign countries was not exact. It will be seen further on that 63 per cent of the negotiable securities on the French market and the property of Frenchmen are French securities; and to these must be added capital which does not figure on the markets, and which play a considerable part in the economic activities of France.

MONEY MARKETS IN FRANCE AND NEGOTIABLE SECURITIES

1. *The Official Market of the Paris Bourse.*—The official market is the Paris Bourse. The 70 stockbrokers, appointed by decree, are alone entitled, by virtue of article 76 of the Commercial Code, to negotiate public and other securities which they have inscribed on their stock-list, and they alone are qualified to establish the prices. The government since 1880 and especially during the last years intervenes to admit such and such a security on the official quotation list, or to reject it. In this manner the government sets itself up as master of the market. Under the influence of the French metallurgists, it thus caused, in 1909, the ordinary shares of the United States Steel Corporation to be refused admission to the French market, and it compelled admission of a Turkish loan in 1914.

The following list gives the number of securities and certificates negotiable on the official market of the Paris Bourse, at ten years' interval:

On Dec. 31	Number of securities	Number of certificates millions
1902.....	1,078	148.6
1912.....	1,456	135.2

	Nominal capital	Million francs	Market value according to quo- tation of Dec. 31
		130,303	
1902.....	130,303	130,119	
1912.....	145,332	142,198	

The increase from 1902 to 1912 was in nominal capital 15 billions, or 1,500 millions per annum; the increase in market value was 12 billions, making a loss of 3 billions.

Of these 142 billions of securities, 100 billions in round figures, or more than 71 per cent, are composed of government stock and fixed interest securities.

SECURITIES NEGOTIABLE ON THE OFFICIAL MARKET OF THE PARIS BOURSE IN DECEMBER 1902 AND 1912

	In millions of francs				Proportion of each group in 1912, per cent	
	Nominal capital		Capital at prices of Dec. 31			
	1902	1912	1902	1912		
<i>French securities</i>						
French state stock.....	25,929	25,310	25,850	22,749	32.45	
State railway bonds.....	.....	298	...	303	0.43
Treasury bonds.....	100	214	100	214	0.31	
Colonies and protectorates.....	467	1,030	438	870	1.24	
City of Paris.....	2,002	2,275	1,984	1,977	2.82	
Departments and towns.....	208	126	210	115	0.17	
Insurance companies.....	108	118	729	943	1.34	
Crédit Foncier.....	4,312	5,033	4,231	4,612	6.58	
Banks, credit establishments.....	1,370	2,707	2,268	5,258	7.50	
Canals.....	144	499	1,611	2,439	3.48	
Railroads: East, Lyons, Midi, Orleans, West.....	17,962	18,605	19,612	18,175	24.93	
Railroads and tram-lines.....	1,970	3,089	1,787	2,842	4.06	
Docks.....	138	133	133	129	0.18	
Water.....	254	252	413	435	0.62	
Electricity.....	394	970	363	1,272	1.81	
Spinning-mills.....	19	52	22	71	0.10	
Gas.....	364	505	639	581	0.83	
Forges, foundries.....	518	783	677	1,692	2.41	
Coal mines.....	.....	147	1,136	1,713	2.44
Metallurgical mines.....	320	205	.....	732	1.04
Phosphates, manure, chemical products.....	107	251	270	682	0.98	
Ports.....	23	231	24	256	0.37	
Transports.....	552	641	392	584	0.83	
Various securities.....	2,569	798	1,139	1,454	2.08	
	60,132	64,597	64,027	70,105	100.00	
<i>Foreign securities</i>						
Russian state stock.....	11,323	13,607	11,305	12,569	17.43	
Various state stock.....	50,080	51,779	47,487	44,237	61.36	
Banks, insurances.....	819	3,685	1,105	5,065	7.03	
Railways.....	7,113	9,765	4,927	7,102	9.85	
Miscellaneous securities.....	836	1,898	1,269	3,120	4.33	
Total.....	70,172	80,735	66,093	72,094	100.00	
Grand Total.....	130,304	145,332	130,120	142,199	100.00	

In 1912, the proportion of French negotiable securities was 42.27 per cent, while that of foreign securities was 57.73.

2. *Departmental Bourses*.—These 142 billions do not represent the total amount of negotiable securities in France; to them must be added the total of the negotiable securities in the departmental bourses of Lille, Lyons, Marseilles, Bordeaux, Toulouse, Nantes; but care must be taken not to duplicate: the securities proper to the departmental markets may be estimated at 5 billions.

3. *Bank Market*.—But, in addition to the securities listed on the official bourses, there are securities negotiable at the bank. On December 31, 1902, the securities negotiable for the account and in full, represented 7,092 million francs, securities negotiated in full represented 8,056 million francs, a total of 15,148 million francs. From 1903 to 1912 securities were introduced on the market, amounting to 19,654 million francs: this gives us therefore a total amount of about 35 billions.

But Mr. A. Neymarck considers that numerous variations of prices may have altered the estimated value of securities as of 1902 and the value of the securities since introduced; that these securities may in some cases have disappeared, while others have been admitted to the official stock-list, and hence, Mr. A. Neymarck writes down as 20 or 25 billion francs, the amount of securities negotiable at the bank.

Total of the Three Markets.—The figure of securities negotiable in France at the close of 1912 can be estimated in the following manner:

	Billions of francs
Paris Bourse, official market.....	142
Bank market.....	23
Departmental market.....	5
	<hr/>
	170

Which amounts to this: that 170 billions of securities are negotiable in France; many of these, like the British Consolidated and the state funds of the various countries are negotiable on several markets. These 170 billions are therefore not the exclusive property of the French market and still less of Frenchmen.

THE FRENCH PART

What share in these 170 billions does the property of Frenchmen represent? According to official statistics of the Registration,

Estates and Stamp Office, the duties and products secured during the year 1911 on the revenue of personal securities was 109,695,000 francs. This amount of duty on personal securities applies to French securities, except the French government stock and foreign government stock which are not subject to the tax. The following is the statement:

	Francs
<i>French securities:</i>	
Companies' shares.....	48,098,000
Interest shares.....	826,000
Limited liabilities.....	1,865,000
<i>Bonds and Loans</i>	
Communes (rural districts).....	2,850,000
Departments.....	115,000
Public establishments.....	1,832,000
Companies.....	35,460,000
Total for French securities.....	91,046,000
<i>Foreign securities:</i>	
Companies' shares.....	9,352
Bonds.....	8,221
Companies owning property in France.....	1,130
Total for foreign securities.....	18,703

These 110 millions correspond to a total figure of 2,844 millions of francs of taxed revenue, which may be divided up in the following manner:

	Million francs
For the French securities.....	2,371
For the foreign securities.....	473
	<hr/> 2,844

After certain deductions, amounting to 102 millions are made, the remaining securities from which this revenue is derived is 2,742 millions which, taxed at the rate of 4 per cent, represent the 110 millions of duties noted above.

It will be seen that the French securities of varying income, shares, etc., furnish more than 50 millions of the revenue, a figure exceeding that from the fixed revenue securities; the same applies to the foreign companies.

The income received by the owners of these French securities, of varying return, according to the 4 per cent tax is 1,250 millions;

that received from the foreign companies' shares is 225 millions; we have, therefore, a revenue of 1,475 millions out of a total taxed revenue of 2,844 millions, or more than half. It is not exact, therefore, to say that the French invest their capital only in fixed revenue securities.

But the government stock, both French and foreign, then free from the 4 per cent tax, is not included in this estimate; they would, however, give a majority to the fixed revenue securities. M. Neymarck estimates French investments in foreign government stock at 25 to 30 billions.

The income received from French and foreign securities owned by Frenchmen is estimated at the close of 1912 to be:

	Francs
1. Total amount of taxed income from French securities, deduction being made of prizes and repayment premiums	2,275,000,000
2. Income from French 3% and 3% redeemable funds	760,000,000
3. Income from 30 to 32 billions foreign government stock, not subject to income tax of 4%	1,600,000,000
4. Income from foreign securities, deduction being made of premiums and prizes for reimbursement	346,000,000
5. Premiums and prizes on French and foreign securities	102,000,000
	<hr/>
	5,083,000,000

In round figures the income received from government stock and French securities amounts to 3,100 millions; the foreign state funds and securities to 2 billions. To these figures should be added the income from the foreign government stock and securities purchased abroad and remaining deposited abroad until the day when, as a consequence of some public action, or by reason of a legacy or a division of property, they make their appearance, but it is not possible to give any reliable estimate of this item.

Mr. A. Neymarck estimates the capital which may be represented by these yearly incomes at 115 billions; but he does not indicate the elements used for such an estimate.

If we take the rate of 4 per cent for the shares, we reach a figure of 31,250 millions which must be included in the first item of the following table:

	Billions
Treasury notes and bonds, state railroad bonds, colonial funds	50
French state 3% and 3% redeemable funds	23
Foreign government funds	7
French and foreign "lottery" securities	5
Total	<hr/> 85

We may deduct 10 per cent for the French state funds, and securities which may be owned by foreigners, or about 7 billions. There then remains 108 billions forming the capital in personal securities of French capitalists, which would yield a revenue of 5 billions of francs.

In the next table is given the progression followed by the said capital in personal securities:

	Amount of capital in French portfolio	Billions of francs Of which the foreign securities (state funds included) represent
Close of 1850.....	9	..
1860.....	31	..
1869.....	33	10
1880.....	56	15
1890.....	74	20
1902.....	from 87 to 90	from 25 to 27
1904.....	90 to 93	27 to 30
1906.....	97 to 100	30 to 32
1908.....	103 to 105	32 to 35
1910.....	106 to 110	38 to 40
1912.....	108 to 115	40 to 42

Out of the 40 to 42 billions of foreign securities, we may estimate that there are 30 to 33 billions in foreign funds, 10 to 12 in shares and bonds. The foreign securities would thus represent 37 per cent of the French capitalist's portfolio. It is, therefore, not correct to state that all French savings are drained outside the country. The proportion of investments abroad in 1890 was 27 per cent. It would thus have increased by 10 per cent since that date.

The causes of the increase may be summed up as follows:

1. The conversion of the 3 per cent French stock diminished their yield and Frenchmen, anxious to have an income sufficient to ensure the style of life they choose to live, looked abroad for higher returns. Hence, the fall of state stock, and of the "gilt-edged" securities. This phenomenon is not confined to France.
2. The fiscal threats of the income tax led to the exportation of a certain amount of capital and its investment in foreign securities.
3. While, in Parliament, the statesmen groaned over the exportation of capitals to foreign lands, for political reasons they encouraged investments of capital in Russia and in other

countries; in 1914 Mr. Caillaux made use of all the influence which can be exercised in France by a Minister of Finances, on the official market, and with the discounting houses, to bring about the flotation of a first block of 500 millions of Turkish loan.

THE FRENCH MARKET IN 1912 AND 1913 AND THE MINISTERS OF FINANCE

The following are the admissions and introductions of securities in 1912:

French Securities				
	Number of certificates	Nominal value	Millions of francs Value at first quotation	Value at price quoted in December
State and town funds....	1,326,001	519.1	512.9	505.8
Shares.....	2,011,810	458.6	917.6	895.8
Bonds.....	3,293,772	1,746.5	1,121.7	1,087.1
Parts.....	23,000	.....	8.5	7.4
Totals.....	6,654,583	2,724.2	2,560.7	2,496.1

Foreign Securities				
Funds—provinces and towns	Number of certificates	Nominal value	Millions of francs Value at first quotation	Value at December
towns.....	1,212,080	539.5	519.0	502.1
Shares and bonds.....	1,448,268	638.0	902.9	909.3
Parts.....	1,145,440	533.3	505.0	490.1
Totals.....	3,805,788	1,710.9	1,927.0	1,901.5

In 1913, the admissions and introductions were less important:

French Securities				
	Number of certificates	Nominal value	Millions of francs Value at first quotation	Value at December quotation
State funds, departments and towns.....	310,987	155.5	151.6	151.8
Shares.....	1,904,320	479.2	894.9	854.3
Bonds.....	2,168,871	1,066.4	1,023.4	1,015.2
Parts.....	18,000	.....	22.8	22.4
Total	4,402,178	1,701.1	2,092.7	2,043.9

Foreign Securities				
State funds, departments and towns	Number of certificates	Nominal value	Millions of francs Value at first quotation	Value at December
and towns.....	1,291,833	649.3	624.5	647.8
Shares.....	880,137	323.9	474.6	461.7
Bonds.....	1,263,246	631.6	598.6	598.1
Totals.....	3,435,216	1,604.9	1,697.7	1,707.6

The following is a comparison between those two years and the three preceding ones:

	Number of certificates (French and foreign)	Nominal value	Value at first quotation	Millions of francs Value at end of December
1909.....	9,369,731	3,397	3,473	3,712
1910.....	12,110,949	5,068	4,740	4,754
1911.....	9,255,393	3,739	4,088	4,068
1912.....	10,460,371	3,835	4,487	4,398
1913.....	7,837,394	3,306	3,790	3,751

The value at the close of December is lower during the past three years. The figure of admissions and introductions in 1913 was inferior to that of any of the preceding years.

The case was the same on the Bank market.

	Number of certificates	Nominal value	Value at first quotation	Million francs Value at end of December
1909.....	11,487,680	791	1,642	1,536
1910.....	9,444,124	973	1,385	1,310
1911.....	7,540,271	736	888	837
1912.....	12,766,380	869	1,202	1,203
1913.....	5,351,460	609	1,041	930

The intervention of the government is not without responsibility in this connection. On December 21, 1912, M. Klotz, Minister of Finance, speaking at the Chamber of Deputies stated:

In 1910 the admission to the quotation-list of foreign securities amounted to 3,829 millions and the admissions to the quotation-list of French securities were 731 millions. In 1911 there were only 2,784 millions of foreign and 620 millions of French securities admitted. In 1912, only 1,655 millions of foreign securities against 1,782 millions of French securities were admitted to the quotation list, French undertakings.

The Minister of Finance exulted at the decrease of the market, while quoting figures which do not agree with the official figures which we have just given. And that same minister had not failed to say also: "France is creditor everywhere and debtor nowhere."

The arbitrary intervention which the Minister of Finance boasted that he had introduced on the market, could only have one result: the decrease of French credits abroad. The Ministers of Finance have resolutely striven, since 1897, to decrease the importance of the French market. In 1897 they reinforced the monopoly

of the 70 stockbrokers. Since then, in 1907 by threats relating to the tax on state fund, they have shaken French credit and have contributed to lower the "rente."

The repercussion of the Balkan war caused a fall at the Paris Bourse which, for the 162 principal securities, may be figured out as follows: their normal value was 57,534 million francs; on December 31, 1912, 56,260 millions; on June 30, 1913, 53,843, or a fall of 2,417 millions. This fall amounted in the case of the French state funds to 1,346 millions; for French railroad bonds to 554 millions; for industrial companies' shares to 287 millions; and 228 millions for the bonds of the City of Paris and the Crédit Foncier.

The reduction of the working hours in the railroad companies led to new expenses for extra staff, the law of July 21, 1909, concerning pensions for workmen and employes of the railroads caused a fall not only of the shares, but of the bonds which, after the French state funds, composed the majority of the stock of French investment; the Northern Railway 3 per cent bond which was worth 453.50 in 1908 had fallen to 420 francs in 1913 and at some time during that year it even got down to 402 francs.

The law of March 29, 1914, aggravated, from July 1, 1914, the régime of foreign state funds. They were to pay, at the time of their flotation, a stamp duty fixed at 2 per cent of the capital. Their coupons, until July 1, 1914, were exempt from the income tax. From July 1, 1914, they were subjected to a 5 per cent tax. The Treasury first desired to establish it on the nominal gross revenue, without taking into account the taxes which they could be subjected to in their own country. Finally the treasury consented to collect the tax only on the net coupons.³

Colonial funds, free from taxes, are subjected to the income tax. The colonies will have to pay, for they have undertaken to bear the taxes imposed by the metropolis.

The law of March 29, 1914, aggravated the charges which burdened the market of Paris, and yet, Mr. Jacques Gunzberg had no difficulty in showing that they were heavier in Paris than in London. The cost of a flotation varied between 4 and 4½ per cent to be thus distributed: expenses of the guarantee syndicate from 1½ to 2 per cent; cost of "guichet" 1½ per cent; advertising costs ½ per cent; these were about the same conditions as for the London market.

³See A. Raffalovich, *Le Marché Financier*, 1913-14, T. 23, p. 387.

But the Treasury altered this similarity of conditions. Whereas in England, on the funds certificates and public securities, the Treasury collected only a stamp-duty cash, of 1 per cent, in France the Treasury collected a duty of 3 per cent after 1913.

The same goods therefore cost $5\frac{1}{2}$ per cent in London and $7\frac{1}{2}$ per cent in Paris. Hence, the issue of a Belgian loan in London and not in Paris. Why should Belgium have given preference to the London market? The English banks took a margin of 3 per cent between the guaranteed price and the issue price, underwriting at 74 that which they sold at 77. The Belgian state paid besides the 1 per cent of the English tax. It therefore received 73 net. All included, its expenses amounted to 4 per cent. In France, paying 3 per cent to the Treasury, the Belgian state would only have collected 71 francs, the expenses being 6 per cent in Paris instead of 4 per cent in London. An Argentine loan, which had been negotiated by a French syndicate, was also floated in London.

Much trouble was taken to "nationalize" certain American securities, as though the very advantage of these international securities were not to retain that nature,—confining their market, one could not increase their price. When the war came, we realized the mistake which had been made. The present Minister of Finance is too glad to obtain the loan of securities of neutral powers to seek to improve French exchange in the United States. Were it not for the measures taken on the Paris market against foreign securities, he would have at his disposal a greater quantity than he has been able to procure. We do not know the exact figure, but at the close of July, mention was made of one billion francs.

Under these conditions France could not be "the foremost banker of the world" and those who gave her that title were doing all in their power to restrict her market. Commercial protectionism has for its object to prevent the entry of goods: financial protectionism aims to prevent the exit of capital.

A decree of August 10, 1916, has just raised the commissions of stockbrokers. The report which precedes this decree, signed by the Minister of Finances, states that "the net product, deduction being made of expenses, far from increasing with the development of personal fortune, has decreased by more than 20 per cent in ten years." In 1914, on the eve of the mobilization, the stockbrokers suspended payment of recharges, which entailed the moratorium

suspending reimbursement of the bank deposits. We had to wait till September 30, 1915, for the Syndical Chamber to agree, for the purpose of settling all differences, to a loan, in 6 per cent notes, of 75 millions, "an appreciable fraction of which, says the report, will no doubt remain on its hands."

The decree raising the tariff gives the Minister of Finance the right to modify it "without it being necessary to subject such initiative to a previous proposition of the Syndical Chamber." It is probable that, in a few years from now, it will be necessary to reorganize the Paris bourse. Before the war, the average daily transactions for cash, were about 23 millions; at present they amount to 14 millions, 6 millions of which are for the 5 per cent rente.

CAPITAL UNREPRESENTED BY SECURITIES

The negotiable securities handled on the markets are far from representing the capital of France and especially that part of the capital engaged in industrial and commercial undertakings. The ministers whose words I have quoted do not seem to realize the importance of cryptogamous finance. Thus on twenty coal mines, which in 1908 produced 29 millions of tons of coal, there are eight: Aniche, Auzin, Dourges, Lens, Noeux, Montrambert, Grand' Combe, Carmaux, whose capital has no nominal value.

The capital of Bruay is 3 millions, on which, in 1852, 1,040,000 francs were paid. Its shareholders built up the capital with their profits instead of dividing them as they arose. In proportion to the tonnage produced, Bruay must represent a capital of 120 millions of francs, its dividend being 13 millions. It works out at something over 11 per cent and is the highest rate for French coal-works.

The Company of Lens was founded the same year with a capital of which 900,000 francs were paid. According to the 1910 report, the total figure of the accumulated but undistributed funds of the company, thanks to the funds built up year by year on the profits, has risen to more than 123 millions of francs. The report of 1911 estimated the capital at 141 millions to which should be added 17 millions of supplies of all kinds, giving 158 million francs. The dividend of 12,600,000 francs is 8 per cent of this.

The financial markets have never registered these phases of the mines capital. It is only during the last twenty years that they

issue bonds, and they only issue them for the necessary balancing of their accounts with the Public Works Office.

The 1912 balance sheets of the great metallurgical establishments indicate the presence of reserve funds and provisions of considerable importance, but which are far from showing up all the amortizations and reserves which have been effected previously with the purpose of suppressing accounts. These companies do not need financial assistance, they do not issue securities on the market; when they require capital, they ask it from their shareholders who subscribe it and keep it. None of these establishments complain that "Capital is lacking for French undertakings."

As regards the textile industry, the case is the same, if we believe the investigations made by the Chamber of Deputies between 1902-1906, and by the paper *Finance-Univers* in 1913, to which 2,500 heads of establishments responded. In the North, direct management by private individuals, the owners of factories, is the most usual form adopted. When limited companies are formed, it is, as a rule, to facilitate family divisions of property; but the shares remain in the hands of their members. For cottons and for silks everywhere the same replies are given: "Capital is so far from being scarce that certain firms have too much interest to pay because they have capital belonging to relations and friends on deposit."

"As regards the silk trade," says Mr. Isaac, president (honorary) of the Chamber of Commerce of Lyons, "Lyons is, with Milan, the largest silk market. Lyons finances Milan in many instances."

And we find the same replies for the wool trade; the syndicate of mill-owners of Tourcoing says: "The increase which has occurred in the wool trade results from the importance of the owners' families; they must find work for all their children." All the wool centers have made similar assertions.

Mr. Seydoux, the great wool manufacturer, states:

Wool and silk are costly raw materials; consequently the trades employ a great deal of capital and proportionately distribute few salaries. If, therefore, the wool and silk trades can export, it is because they have at their disposal cheaper capital than abroad. "And that which tends to confirm this view," added he, "is that much capital goes abroad and helps to found establishments where silk and wool are dealt with—therefore the remuneration of capital is smaller in France than abroad." And he showed that, in the wool trade, "it was the articles which need less work and most capital which are best adapted for exportation."

M. Louis Guérin, president of the flax and hemp mills syndicate, states: "Capital is abundant in the North. It has been built up by accumulation of successive profits." As for tulles and laces, M. Henon, president of the Chamber of Commerce at Calais, said: "Capital is not lacking on our market for men of experience and energy."

In 1910 I examined a statistical work including 98 textile companies of France. Each of these owned capital exceeding 500,000 francs. Together their capital represented 247,954,000 francs. The capital of the companies which publish no balance sheet was 147,462,000 francs. They had not issued any bonds, but they received loans which increased their capital in lesser or greater proportion. A part of the profits which was used to repay these loans was thus dissimulated by book entries. This is a legitimate book-keeping artifice, no one being forced to increase tax receipts to his own detriment.

As regards the electrical industries, MM. Eschewege and Legouet estimated their capital in 1912 at 1,600 millions of francs.

MM. Poincaré and Briand were therefore wrong to speak of a lack of capital for trade in France. And Mr. E. Lemberger, director of the "Wiener Lombard et Escompte Bank," showed his ignorance of the condition of France when he said, in the *Neue Freie Presse*, on April 22, 1916: "Credit for national trade is a quite unknown thing in France for more than thirty years past." But an Austrian may be excused for ignoring that which French ministers ignore; and these latter may even be excused; for the fecundity of trade capital is not manifest. It is cryptogamous capital.

GEOGRAPHICAL DISTRIBUTION OF FRENCH CAPITAL

The distribution of French investments in foreign countries could only be approximately established by the Registration Office. That office does not publish its information. In 1902, the Minister of Foreign Affairs published an "evaluation abroad of the French investments in all forms, including loans, companies securities, industrial and commercial transactions." The total figure was 30 billions: but that table has never been regarded as an authority.

Among the quoted securities, the various state funds were estimated on December 31, 1912, at 44,237 million francs and those of the Russian state at 12,569 millions, or a total of 57 billions. We

have seen that the amount owned by French people was estimated at 30 billions. Russian funds fill their portfolios for a figure of several billions, but not for the total amount written on the quotation list. Considerable quantities of Russian securities were absorbed by the Russians, following good crops which had led to important exportations of wheat. It is true that this figure did not include the whole Russian debt, which at that time amounted to 8,841 million roubles, but Mr. A. Raffalovich, agent for the Ministry of Finance of Russia, in Paris, was able to declare: "The share of Russian capitalists in the ownership of securities of the national debt is very important and must come near to half the entire amount."

The Italian State fund whose biggest stock was in France has been transferred to its own land. A portion of the Spanish debt has also gone back to Spain.

At the time of the Balkan war (Oct. 1912) it was calculated that the share of France in the capital placed in Turkey was 2,500 millions of francs, that of Germany 900 millions and that of Great Britain 750 millions. More than 55 per cent of the Ottoman debt belonged to Frenchmen, 30 per cent to Germans and 5 per cent to Englishmen. The distribution of French money invested in Turkey was as follows: State funds, 1,500 million francs; railroads, 375 millions; banks and credit establishments, 87 millions; land property, 100 millions; mining and industrial enterprises, 62,500,000; commercial establishments, 56,250,000 francs; shipping, 50,000,000 francs. France owned four-fifths of the foreign capital employed in credit enterprises in Turkey.

On April 9, 1914, Franco-Turkish agreements were signed with a view to the issue of an 800 million franc Turkish loan in exchange for railroad and port concessions. A first block of 500 million francs was issued at 93.25. It was a 5.36 per cent investment, without counting the reimbursement premium. The public took up 350 millions of francs and 100 millions remained to the account of the syndicate which made an advance of 80 per cent; 50 millions had been taken up by a financial group. This loan, imposed by the French government on the Paris market, burdened it at the time of the war.

The second Balkan war had an effect which proved disastrous for the funds of the Balkan nations and a strain on nearly all of the

great European banks because they were burdened with Treasury notes or short-time securities subscribed by the belligerents and not paid for at date; but it was not only the French banks which were hit.

On February 2, 1914 a convention was signed between the Greek and the French governments relating to a loan of 500 million drachmas (frances). On a first block of 250 millions, 175 were reserved for the French market.

In 1914 Servia issued a 250 million franc loan in Paris, 75 millions of which were taken up by a group of bankers in repayment of advances recently granted and 175 millions were offered to the public. It was guaranteed by the receipts of the Monopolies administration, whose net receipts of 43,907,000 francs showed an excess of 11,513,000 francs.

The French have invested several billions in the Argentine Republic and in Brazil, but we have no documents allowing us to state a figure. It has been said that the French investments in the United States amounted to 5 billions. The transactions to which the rate of exchange has given rise, prove that the figure is exaggerated.

I might have covered the paucity of this information regarding the geographical distribution of French capital by copying out some items from the Bourse quotation list; but they cannot give any precise indications as to the distribution of French investments abroad.

THE DISTRIBUTION OF CAPITAL IN FRANCE AND FINANCIAL OPTIMISM

There are somewhat over 8 million owners of lands and houses in France. If we multiply the number of members of the family by 4, a very moderate estimate, we find that more than 32,000,000 persons are interested in the ownership of a house or some ground, generally both.

Personal estate is no less divided. The capital of the Bank of France is very much broken up itself; its 182,000 shares belong to 32,700 shareholders; the 450,000 shares of the Crédit Foncier belong to 43,850 shareholders. The Société Générale has more than 100,000 shareholders; those of the Crédit Lyonnais, of the Comptoir d'Escompte, can be counted by tens of thousands.

On January 3, 1913, the 657 millions of 3 per cent state funds were thus divided between 4,443,000 inscriptions:

	Number	Amount of rents
Nominative inscriptions.....	1,345,576	461,913,675
Mixed inscriptions.....	92,181	7,446,329
Bearer inscriptions.....	3,006,347	188,306,519

The most numerous among the bearer inscriptions are those of 30 francs, numbering 663,747; then the 20 francs, numbering 395,-613; then 50 francs, numbering 278,109. The 300 francs number only 79,932; the 1,000 francs 19,457, and the 3,000 francs 7,924. The railroad companies' bonds also belong to a great number of small bearers.

Once the French small capitalist has got the income he has decided upon for his needs, he feels great delight in reinvesting the surplus. If he receives payment of a bond, he hastens to use the sum for a new investment. Out of the 3 or 4 billions available at the close of each year, several hundred millions are used for repairs, constructions, rural, urban or industrial improvements. Some hundreds of millions may be invested in mortgage loans and in insurance premiums; we may consider that 1,500 millions to 2 billions remain available for security purchases.

At the end of two years of war, financial optimism in France is equal to the political and military optimism. If anyone had predicted at the beginning of the war that at the end of September, 1915, the French government would have opened credits to the amount of more than 55 billion francs (\$10 billions); that those credits would probably amount at the end of December to 73 billion francs (\$14 billions), he would have been considered a madman and that opinion would have been supported by a quantity of arguments founded on facts. Nevertheless those expenses have been borne and the country is ready to bear others.

The experience of 1870 had not been favorable for the issue of treasury notes. It was considered that they were reserved for a special and very restricted clientele. Nevertheless the government has been able to issue about 10 billions of treasury notes (\$2 billions) and continues to be able to place them easily. Persons who own capital and wish to keep it available willingly take up those notes. They have had far greater success than the bonds of the National Defence of which about 3 billions of francs have been placed.

When appeal was made to persons owning gold to come and exchange it for bank notes or National Defense notes, it was thought that in this manner 250 million francs (\$50 millions) might perhaps be collected; the most optimistic doubled the figure. The amount collected has reached nearly 1,400 million francs (\$270 millions).

And yet there is some in reserve. A solicitor was telling me about a farmer's wife, whose business he knows very well and who is always pleading poverty; he said that she must have in her house from 7,000 to 8,000 francs, probably in gold and silver. I know an old cook who has no direct heirs and hence no interest to enconomize and who has a little hoard to which she has added about 2,000 francs since the beginning of the war. She will listen to no talk about National Defence notes or 5 per cent rentes. She hoards up gold, silver, and bank-notes and is not the only one.

A financier who has imported a great quantity of foreign securities to France thus summed up the result of his experience:

It is not true that France is the foremost banker of the world and owns as much capital as Great Britain or the United States. But it is the country where there is the most available capital. The capital of Great Britain is absorbed by her colonies, her navy and her trade, also her foreign enterprises. In France, there is a large amount of latent capital awaiting an opportunity.

The greater part of this latent capital has borne the effort of the war. Some yet remains. It is true that the war will have made a terrible rent in the fortune of a number of Frenchmen. There will be much to repair, to rebuild, to effect. Yet there is a certain tendency to exaggerate the damages caused by the war. There is only about 3 per cent of the surface of France which is occupied by the Germans. Men of all categories will be wanting. We do not know what will be the economic capacity of the survivors after more than two years spent in the trenches. Yet pessimists are rare. Plans are being made, and I hope our *poilus* will manifest in time of peace, the same energy that they have shown during the war.